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**House Government Reform
Subcommittee on Federalism and the Census**

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Good afternoon Chairman Turner and members of the Subcommittee. Thank you for the opportunity to provide written testimony to the House Government Reform Subcommittee on Federalism and the Census and its important work concerning the nation's public housing system. I am speaking to you as former member of the Congressionally chartered Millennial Housing Commission (MHC) and as Chief Executive Officer of Atlanta Housing Authority.

I will begin today by addressing two basic misconceptions that have colored the current debate over public housing and Section 8 voucher reform. I will then offer a two-part perspective on the public housing system, in general. Finally, I will provide the Subcommittee with three specific recommendations that will meaningfully improve the nation's public housing system.

MISCONCEPTIONS

The first misconception is that public housing agencies ("PHAs") are seeking "legislative cover" to abandon their fundamental mission— providing affordable housing to low-income families. This is not true. For decades, PHAs have served low and very low-income families. They continue to so even as they have adopted innovative strategies to deconcentrate poverty and to help families achieve self-sufficiency. The underlying mission has not been abandoned.

The second misconception is that regulatory flexibility and funding can be viewed as an "either/or" scenario. The false linkage that has been made between these two critical issues is cynical and counterproductive. PHAs need flexibility to tailor programs to meet local needs and priorities and continued federal funding is needed given the mandate and the mission to provide affordable housing to very low income families. PHAs are all too aware of budgetary constraints facing Congress. In spite of these challenges, funding for decent, affordable housing is, nonetheless, the foundation for providing opportunity for all of our citizens and must be a national priority.

PERSPECTIVE

RETURN ON INVESTMENT – In Atlanta, we have successfully addressed longstanding problems through our mixed use, mixed income, mixed finance development program. We have sponsored the creation of market-rate communities each with a seamless affordable component seamlessly inside of it, by using HUD development funds as seed money to engage private investors and developers.

This strategy has yielded neighborhoods that are being returned to healthy mixed income communities with great neighborhood schools and great quality of life amenities. In the last ten years, we have seen mixed use, mixed income developments generate approximately \$3 billion of economic impact in Atlanta. This tremendous return on investment has resulted from the leveraging of Federal seed money of approximately \$200 million.

In the world's most powerful nation, too many Americans are ill-housed, under-educated and poorly nourished. Unfortunately, in today's discourse these problems are rarely fully understood before the rhetorical lines are drawn.

National policy makers and local practitioners confront the question of whether thoughtful policy and strategic investment can make a difference in these conditions. I know it can be done because we have seen tangible results in Atlanta.

LEGISLATIVE REFORM IS NECESSARY. I offer the following observations to support the case for reform of the public housing and Section 8 Voucher programs:

- The public housing and housing choice voucher programs are unnecessarily complex, too prescriptive and the regulations are often contradictory and conceal too many unintended consequences and unfunded mandates. The programs lack a clear articulation of the desired outcomes.
- HUDS current funding methods are not designed to achieve a definable, desired outcome.
- HUD must re-engineer its regulatory scheme, monitoring and oversight and its systems and re-train its personnel as part of any comprehensive reform.
- Even though they are vastly different across the country, real estate market conditions (availability, cost and conditions) are treated as if they are static and equal—New York versus California versus Massachusetts versus Georgia.
- Policies that perpetuate the concentration of poverty yield terrible outcomes and have had the unfortunate consequences of:
 - Institutionalizing poverty
 - Creating environments of crime, drugs and hopelessness
 - Destroying neighborhood-based schools; and
 - Adversely impacting neighborhoods and the value of the real estate

RECOMMENDATIONS

Given the foregoing, I offer the following recommendations, some of which are discussed in greater detail in the Millennial Housing Commission Report.

1. **De-regulate small public housing authorities** – Currently there are approximately 3,400 public housing authorities throughout the nation. Approximately 2,800 PHAs own and operate fewer than 500 units (“Small PHAs”). I recommend these Small PHAs be exempted from unnecessary and burdensome reporting and regulatory requirements.
 - Today, Small PHAs must abide by most of the same statutory and regulatory requirements developed for PHAs that manages more than 500 units (“Large PHAs”).
 - Small PHAs should have a simplified contract that establishes basic standards for physical conditions, financial status and operations, but strictly limits paperwork and reporting. In this way, Small PHAs can appropriately focus their staff and financial resources on property management.
 - Even under these simplified requirements, however, PHAs that are geographically isolated or face high staff turnover will need ongoing, reliable technical assistance.

2. **Develop a strategy and systems to transition all larger housing authorities to become “Moving To Work” (MTW) Agencies** – Currently 30 public housing authorities operate under the Moving to Work Demonstration Program. Under the various MTW agreements, PHAs have been relieved of many of the regulatory strictures and are able to develop locally derived solutions to providing affordable housing in their communities. The MTW agreements acknowledge local needs, local market conditions and local economies.

- Building on the best practices and lessons learned from the MTW agencies during the Demonstration Period, Congress should authorize HUD to develop a transition plan to deregulate the large PHAs that are not currently participating in the MTW Demonstration Program.

- The current participants in the MTW Demonstration Program should be allowed to institutionalize their Moving to Work Agreements, with changes as needed, based on the lessons learned and best practices.

- Well-run agencies should be allowed to operate free from micro-management and a regulatory system that is overly burdensome, adds little or no value to the daily operations and delivery of services and, in too many cases, yields bad outcomes.

- Deregulation should not mean, however, elimination or reduction of funding for the day-to-day operations of the local housing.

- If agencies are not well-run, the recommendation offered in the Millennial Housing Commission’s report is appropriate. In sum, agencies with competency problems should be required to accept alternative management models. If no qualified administrators can be contracted, however, alternative management could be provided by either the state or procured competitively from the public, nonprofit, or for-profit sectors. Finally, agencies with multiple problems that cannot be resolved through alternative management would have to report to an administrative or judicial receiver.

Some argue that deregulation will not work. They contend that agencies left to their own decision-making process will make poor decisions. The obvious response to that argument is, of course, that the current conditions were created under a regulated system. By definition, regulation is not a shield from a poor decision-making process.

3. **Support The HOPE VI Program** – The HOPE VI Program is a strategic investment in America’s future. This program should be reauthorized and funded at least at the levels of the past ten years and increased if the need is determined and the results justify the investment.

The Senate and the House of Representatives are considering re-authorizing and funding the HOPE VI Program. SB 1513 “HOPE VI Improvement and Reauthorization Act of 2005” was introduced on July 27, 2005.

Building on the best practices and lessons learned from the HOPE VI Program, Congress should authorize SB1513 or H.R. 3888 and fund a new HOPE VI Program that is driven at the local level by existing market conditions, housing and community needs, and local resource availability; e.g., low income housing tax credit cycles, private activity bond volume cap, and absorption of market rate units in the community.

Not only has the HOPE VI demonstration program been a catalyst for transforming distressed and disinvested neighborhoods in Atlanta and in many cities across the United States, it has also facilitated an environment where positive change in the lives of the residents has occurred.

The success of the HOPE VI program is found in its flexibility. To remain viable and successful, administrative oversight of this program must not be overly prescriptive. Notwithstanding the need to maintain a flexible structure, five guiding principles should be used to measure the program's outcomes:

Principle Number 1 - End the practice of concentrating the poor in distressed, isolated neighborhoods.

The objective is to create market rate communities owned by public/private partnerships which seamlessly include affordable components. True market driven mixed-income communities with a blend of rental and owner-occupied dwellings are needed to replace ghettos of concentrated poverty because concentrated poverty promotes chaos. It creates an environment conducive to criminal exploitation, and the deeper the poverty, the more vulnerable people become. Conversely, by deconcentrating poverty we have seen the emergence of the ability to participate in society; an increase in social and economic upward mobility (demonstrated by higher employment and lower TANF dependency). It helps return, or sometimes introduce, individuals to the mainstream of society.

Principle Number 2: Develop communities through public/private partnerships using public and private sources of funding and market principles.

Financial and social stakeholders should play a partnering role in the neighborhood revitalization efforts.

The HOPE VI funds must come in as seed capital. The cost of relocation, demolition, environmental remediation, and a substantial contribution toward the hard cost of developing a public housing assisted unit and supportive service programs are critically important investment costs, but for which there are limited sources of funds or none altogether. No lender or private developer will provide resources for these costs because there is no monetary return to addressing a "Residential Brownfield."

The dynamic between the public and private sectors must be changed. Substantive private involvement introduces a discipline the current public housing program does not have. The creation of the public/private partnership guarantees a built-in "accountability" feature because private sector involvement guarantees that the communities remain sustainable and desirable, and the introduction of private investment results in higher community performance standards and expectations. With this built-in accountability, HUD can focus on measuring outcomes and not managing process. As it stands now, current HUD procedures subject a development process to what appear to be the arbitrary application of modernization practices and timetables.

Private developers, private investors, and other key stakeholders must be incented to play a significant role in the neighborhood revitalization efforts. Market standards and principles must be utilized. HUD must resist the temptation to be too prescriptive. Partners must have a vested interest in the outcome and continued success of the revitalization, which is critical to a leveraging strategy. Participants who view themselves only as contractors may not have the same alignment of interests. As partners,

stakeholders can participate based on unique roles and strengths, minimizing duplication of efforts or funding constraints. One of the most attractive features of HOPE VI is the ability to use public funds as seed money to attract other necessary investment, and our ability to fill this role as a partner must be maintained. Public housing funds alone are not sufficient to create the wholesale transformations that are needed.

A review of the regulatory burden placed on public housing assisted units in mixed-income communities should be undertaken. A more reasoned approach to establishing timeframes would consider market absorption and the cyclical availability of financial resources that would need to be leveraged, including low-income housing tax credits, private activity bonds and other subsidies. For guidance, HUD can look to other economic development programs which have longer time horizons, even up to 10 years, for economic development and community building.

Principle Number 3: Create mixed-income communities with the goal of creating market rate communities with a seamless affordable component.

Principle Number 4: Create healthy communities using a holistic and comprehensive approach to assure long term marketability and sustainability of the community and to support excellent outcomes for families, especially the children—with emphasis a culture of education, excellent, high performing neighborhood schools and excellent quality of life amenities, such as first class retail and green space.

Federal officials should consider ways to foster and provide cross-departmental or agency incentives for localities to work together, in a holistic manner, to build the opportunity for human development. Coordinating the distribution of funds for public infrastructure, transportation, and education and strategies that facilitate and attract future private investment in the surrounding neighborhood must be encouraged.

We must embrace a broad, shared understanding of a new local paradigm and a willingness to create based on enlightened community self-interest. The results here in Atlanta have been a tremendously improved sociology, better neighborhood schools, more neighborhood reinvestment, higher rates of employment among the assisted families, and reduced crime by more than 90%. In total, the change has resulted in a promising future instead of a certain failure.

To illustrate the point, one needs to consider Centennial Place Elementary school which sits on the former site of the nation's first public housing project, Techwood Homes (early HOPE VI recipient). The school serves downtown neighborhoods, including Centennial Place, a thriving, mixed-income community where residents work, pay rent, and abide by their rental agreement and the law. Unlike the concentrated poverty that once occupied the real estate, the neighborhood is socially and geographically integrated into the broader community and it's an environment that is safe. Performance at Centennial Place Elementary School has gone from the cellar through the roof – performing higher than national averages on standardized tests. Several other elementary schools in more recently revitalized communities have shown substantial improvements as well.

Centennial Place Elementary has several lessons for those of us helping to shape public policy. First and foremost, all children can learn if provided with an environment that is devoid of chaos and hopelessness. Failure should not be a given track for children living below the poverty line any more than it should be for a child living in an affluent setting.

And finally, children develop and grow in a whole environment. Certainly where they learn matters, but where they live matters, too.

Principle Number 5: Expectations and standards for personal responsibility should be benchmarked for success. Residents should be supported with adequate resources to assist them to achieve their life goals, focusing on self-sufficiency and educational advancement of the children and their parents.

In closing, if national policy leaders could embrace the public housing system as an asset then the public debate would change and so would the system's outcomes. Examples exist of what happens on a local level when the public housing resource is accepted as an asset and it can be replicated in other localities.

Thank you.